

Matthew J. Hill

Lectures:

Monday 9-10:30 40.152

Tuesday 9-10:30 40.152

Office Hour: After Lecture

Office: Jaume I, 20.168

Microeconomics I

Course Objective:

The goal of this course is that students learn to work with economic models. Through the training route, the student becomes familiar with the process of construction and solution of these models. At the end of this process the student must be prepared to build such models, specifically models of consumer theory, theory of the firm and partial equilibrium.

Bibliography:

Varian, H. R. Intermediate Microeconomics. 7th, 8th or 9th. Edition.

Content:

Part One: Consumer Choice and Demand

1. Elements of the problem.

Limits of consumer choice: the budget constraint. Reasons for choice: preferences. Representation of preferences: Utility.

2. The choice.

The formal problem of maximization of preferences and derivation of the demand function.

3. Revealed preference and Slutsky equation.

Weak and strong axioms of revealed preference. Price indices. The Slutsky equation: Income and substitution effects. Income and substitution effects of

Hicks.

4. Consumer surplus and market demand.

Consumer surplus: Discrete goods and continuous goods. Market demand: Aggregation of individual demands. The elasticity of demand and its relation with income.

Part Two: The Firm and the Supply Function

5. Technology.

Technological constraint. Different types of technology. Marginal product and marginal rate of technical substitution. Returns to scale.

6. Benefit maximization and cost minimization.

The formal problem of profit maximization. The cost minimization problem. Cost functions: marginal cost and average cost.

7. Supply curve.

The supply function of a competitive firm. The relation of the supply with marginal costs. The producer surplus. Supply curve of an industry.

Part Three: The demand and the supply

8. The equilibrium.

Equilibrium in a competitive market. Comparative statics. Taxes and welfare.

Schedule:

Week 1 (March 31 - April 4): 2 Theory Classes
Introduction, Consumer Preferences, Utility
Varian, Chapters: 1, 3, 4

Week 2 (April 7 - 11): 2 Theory Classes
Utility, Budget Constraint Varian, Chapters: 2, 4

--- Easter Break ---

Week 3 (April 22 – April 25): 1 Theory Class

Choice

Varian, Chapter: 5

Seminar 1: Preferences, Utility and Budget Constraint

Week 4 (April 28 – May 2): 2 Theory Classes

Consumer Choice, Demand

Varian, Chapters: 5, 6

Week 5 (May 5 - 9): 2 Theory Classes

Revealed Preferences, Slutsky Equation

Varian, Chapters: 7, 8

Seminar 2: Consumer's Choice and Demand

Week 6 (May 12 - 16): 2 Theory Classes

Consumers' Surplus, Aggregate Demand

Varian, Chapters: 14, 15

Seminar 3: Slutsky Decomposition, Revealed Preferences

Week 7 (May 19 - 23): Midterm Exam (May 19), 1 Theory Class

Technology

Varian, Chapters: 18

Seminar 4: Welfare, Aggregate Demand

Week 8 (May 26 - 30): 2 Theory Classes

Profit Maximization, Cost Minimization,

Varian, Chapters: 19, 20

Seminar 5: Technology, Profit Maximization

Week 9 (June 4 -June 8): 2 Theory Classes

Cost Curves, Firm's Supply, Industry Supply

Varian, Chapters: 21, 22, 23

Seminar 6: Cost Minimization, Cost Curves, Firm's Supply

Week 10 (June 11 - June 15): 1 Theory Class

Partial Equilibrium

Varian, Chapter: 16

Evaluation Course:

- 70%: Final Exam - Minimal Grade (4 out of 10)
- 20% Midterm Exam
- 10%: Seminars + Homework

Presence Seminars + Handed - in Homework (Bring original and copy to the seminar) Instructions Seminars:

- Please bring your ID \checkmark s, since the TA will check
- Please bring a copy of the problem set you solved to hand in to the TA